

PUBLIC NOTICE

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Proposed Fourth Quarter 2002 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Wireline Competition Bureau announces the proposed universal service contribution factor for the fourth quarter of 2002.¹ Under section 54.709 of the Commission's rules, the quarterly contribution factor is based on the ratio of total projected quarterly costs of the universal service support mechanisms to total end-user interstate and international telecommunications revenues, net of prior period actual contributions.² Under section 54.507, however, funds collected in the schools and libraries support mechanism that are unused shall be applied to stabilize universal service contributions in accordance with the public interest and consistent with section 54.709(b) for no more than three quarters, beginning with the third quarter 2002.³ As discussed in greater detail below, the third quarter 2002 contribution factor of 0.072805 will therefore remain unchanged for the fourth quarter of 2002.

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,⁴ the Universal Service Administrative Company (USAC) submitted the following projections of demand and administrative expenses for the fourth quarter of 2002:⁵

¹ See 47 C.F.R. § 54.709(a).

² See 47 C.F.R. § 54.709(a)(2).

³ See 47 C.F.R. § 54.507(a).

⁴ 47 C.F.R. § 54.709(a)(3).

⁵ See Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2002, available at <<http://www.universalservice.org/overview/filings>> (filed August 2, 2002) (*USAC Filing for Fourth Quarter 2002 Projections*). See also Federal Universal Service Support Mechanisms Fund Size Quarterly Contribution Base for the Fourth Quarter 2002, available at <<http://www.universalservice.org/overview/filings>> (filed August 30, 2002) (*USAC Filing for Fourth Quarter 2002 Contribution Base*).

(\$ millions)

Program	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	553.260	9.240	(11.574)	1.050	551.976
Rural Health Care	8.604	1.004	(0.071)	(0.083)	9.454
High-Cost	856.648	1.730	(0.539)	(16.498)	841.341
Low Income	181.278	0.691	(0.420)	2.097	183.646
TOTAL	1599.79	12.665	(12.604)	(13.434)	1586.417

The Universal Service Administrative Company (USAC) has therefore projected that program demand and administrative expenses for the fourth quarter of 2002 will be approximately \$1.586417 billion. USAC also has submitted estimated end-user telecommunications revenues of \$18.487996 for April through June 2002 based on information contained in the second quarter 2002 Telecommunications Reporting Worksheet.⁶ Taking into account USAC's estimate of \$1.330758 billion in actual contributions in the second quarter of 2002 as well as uncollectible contributions of one percent, we project a contribution base of \$16.985667 billion.⁷ The fourth quarter 2002 contribution factor for universal service support mechanisms would therefore be 0.093397 (total program collection requirement / quarterly contribution base), absent any adjustment to stabilize the contribution factor.

Adjustment to Stabilize Contribution Factor

Consistent with section 54.507 of the Commission's rules and the *Schools First Report and Order* in CC Docket No. 02-6,⁸ we direct USAC to apply sufficient unused funds from the schools and libraries support mechanism to maintain the fourth quarter contribution factor at 0.072805.⁹

In the *Schools First Report and Order*, the Commission concluded that unused funds from the schools and libraries support mechanism would be applied to stabilize the collection requirement for universal service for the third and fourth quarters of 2002, and the first quarter 2003, if necessary, while it examines whether more fundamental reform of the basis for assessing

⁶ See *USAC Filing for Third Quarter 2002 Contribution Base* at 4. The revenue base on which contributions are assessed in the third quarter of 2002 is derived from the revenues reported on the First Quarter 2002 Telecommunications Reporting Worksheet. See *id.*

⁷ See *id.* at 5.

⁸ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, First Report and Order, FCC 02-175 (rel. June 13, 2002) (*Schools First Report and Order*).

⁹ When USAC files its projections of program demand and administrative expenses for the first quarter of 2003, it shall supply an updated estimate of the remaining balance that may be applied to stabilize the collection requirement as necessary for first quarter 2003.

universal service contributions is warranted.¹⁰ Thereafter, unused funds from the schools and libraries support mechanism will be carried forward to increase disbursements to schools and libraries in subsequent years.¹¹ The Commission's treatment of unused funds from the schools and libraries support mechanism helps to ensure the predictability of contribution obligations and stabilize contributions to universal service by contributors and their customers, without jeopardizing the sufficiency of the universal service support mechanisms.

If the Commission takes no action regarding the projections of demand and administrative expenses and the proposed contribution factor within the 14-day period following release of this Public Notice, they shall be deemed approved by the Commission.¹² USAC shall use the contribution factor to calculate universal service contributions for the fourth quarter of 2002. USAC includes these amounts in invoices sent to contributors. Contribution payments are due on the dates shown on the invoice. Contributors will pay interest for each day for which the payments are late. Contributors failing to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act of 1934, as amended, and any other applicable law. In addition, contributors may be billed by USAC for reasonable costs of collecting overdue contributions.¹³

For further information, contact Jon Secrest, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400, TTY (202) 418-0484.

¹⁰ *Id.*

¹¹ *Id.*

¹² See 47 C.F.R. § 54.709(a)(3).

¹³ See 47 C.F.R. §54.713.